

**MECOSTA COUNTY PARK COMMISSION**

**(A Component Unit of Mecosta County)**

**DECEMBER 31, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

[www.bcbcpa.com](http://www.bcbcpa.com)

MECOSTA COUNTY PARK COMMISSION

(A Component Unit of Mecosta County)

DECEMBER 31, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management Discussion and Analysis	3 - 5
Comparative Statement of Net Assets	6 – 7
Comparative Statement of Revenue, Expenses and Changes In Net Assets	8
Comparative Statement of Cash Flows	9 – 10
Notes to the Financial Statements	11 – 18
<u>SUPPLEMENTAL FINANCIAL DATA</u>	
Schedule of Funding Progress	19
Combining Schedule of Revenue and Expenses	20 – 21

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

February 4, 2009

### INDEPENDENT AUDITORS' REPORT

To the Members of the Board  
Mecosta County Park Commission  
Mecosta County, Michigan

We have audited the accompanying financial statements of the business-type activities of the Mecosta County Park Commission, a component unit of Mecosta County, Michigan, as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Park Commission's basic financial statements. These financial statements are the responsibility of the Mecosta County Park Commission's management, a component unit of Mecosta County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mecosta County Park Commission, as of December 31, 2008 and 2007 and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 5, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mecosta County Park Commission, a component unit of Mecosta County, Michigan. The supplemental financial data is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental financial data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MECOSTA COUNTY PARK COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED DECEMBER 31, 2008

The management of the Mecosta County Park Commission offers this narrative overview and analysis of the financial activities of the Parks Commission for the year ended December 31, 2008, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Park Commission's financial activity. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements as a whole.

***Financial Highlights***

- The assets of the Park Commission exceeded its liabilities at December 31, 2008, by \$1,601,573. Of this amount, \$1,147,849 represents net assets which are invested in capital assets.
- The Park Commission's total net assets decreased by \$40,443.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

MECOSTA COUNTY PARK COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED DECEMBER 31, 2008

***Financial Analysis***

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Current and Other Assets	\$ 546,416	\$ 590,077
Capital Assets	2,811,531	2,752,255
Less: Accumulated Depreciation	(1,663,682)	(1,541,613)
<b>TOTAL ASSETS</b>	<b><u>\$ 1,694,265</u></b>	<b><u>\$ 1,800,719</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	\$ 88,925	\$ 151,603
Non-Current Liabilities	3,767	7,100
<b>Total Liabilities</b>	<b><u>92,692</u></b>	<b><u>158,703</u></b>
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets	1,147,849	1,210,642
Unrestricted	453,724	431,374
<b>Total Net Assets</b>	<b><u>1,601,573</u></b>	<b><u>1,642,016</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,694,265</u></b>	<b><u>\$ 1,800,719</u></b>

In 2008, the Park Commission's net assets decrease by \$40,443. The following is a summary Statement of Revenues, Expenses and Changes in Net Assets which show how the \$40,443 decrease in net assets occurred. Also shown is the change for the year ended December 31, 2007.

	<u>2008</u>	<u>2007</u>
<b><u>OPERATING REVENUE</u></b>	\$ 944,526	\$ 938,698
<b><u>OPERATING EXPENSES</u></b>	<u>901,675</u>	<u>846,215</u>
Operating Income Before Depreciation	42,851	92,483
Depreciation	(125,818)	(124,334)
Operating Income (Loss)	(82,967)	(31,851)
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>	<u>20,024</u>	<u>27,003</u>
Income (Loss) Before Capital Contributions	(62,943)	(4,848)
Capital Grants and Donations - Davis Bridge Park	22,500	42,500
Changes in Net Assets	(40,443)	37,652
<b><u>NET ASSETS - Beginning of Year</u></b>	<u>1,642,016</u>	<u>1,604,364</u>
<b><u>NET ASSETS - End of Year</u></b>	<b><u>\$ 1,601,573</u></b>	<b><u>\$ 1,642,016</u></b>

MECOSTA COUNTY PARK COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED DECEMBER 31, 2008

***Capital Asset and Debt Administration***

At the end of 2008, the Park Commission had \$2,811,531 invested in a broad range of capital assets, including buildings, land improvements and machinery and equipment.

***Economic Factors and Future Outlook***

In an attempt to reverse the decline in nightly camping at Brower Park over the long-term, policy changes regarding reservations and other regulations will be implemented in 2009.

***Request for Information***

This financial report is designed to provide a general overview of the Park Commission's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Mecosta County Park Commission, 22250 Northland Drive, Paris, Michigan 49338.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets		
Petty Cash	\$ 100	\$ 100
Deposits with Financial Institutions	12,786	3,105
Investments with County of Mecosta	525,977	556,690
Accounts Receivable	1,820	3,918
Grants Receivable	0	22,500
Prepaid Expenses	5,733	3,764
	<hr/>	<hr/>
Total Current Assets	\$ 546,416	\$ 590,077
	<hr/>	<hr/>
Capital Assets		
Land Improvements	\$ 1,215,502	\$ 1,134,825
Buildings and Improvements	1,066,405	1,058,004
Machinery and Equipment	529,624	495,758
Construction in Progress	0	63,668
Less: Accumulated Depreciation	(1,663,682)	(1,541,613)
	<hr/>	<hr/>
Total Capital Assets	\$ 1,147,849	\$ 1,210,642
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,694,265</u>	<u>\$ 1,800,719</u>

The accompanying notes are an integral part of these financial statements.



MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31,

	<u>2008</u>	<u>2007</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 15,384	\$ 52,151
Due to Other Governments	24,616	25,430
Deferred Revenue	27,948	47,561
Accrued Payroll	11,122	9,381
Accrued Vacation and Sick Pay	9,855	17,080
	<hr/>	<hr/>
Total Current Liabilities	\$ 88,925	\$ 151,603
Non-Current Liabilities		
Accrued Vacation and Sick Pay	3,767	7,100
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 92,692	\$ 158,703
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 1,147,849	\$ 1,210,642
Unrestricted	453,724	431,374
	<hr/>	<hr/>
Total Net Assets	\$ 1,601,573	\$ 1,642,016
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,694,265	\$ 1,800,719
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31,

	2008	2007
<u>OPERATING REVENUE</u>		
Charges for Services	\$ 944,526	\$ 938,698
<u>OPERATING EXPENSES</u>		
Personnel Services	620,090	576,275
Supplies	60,558	54,411
Other Services and Charges	221,027	215,529
TOTAL OPERATING EXPENSES	901,675	846,215
Operating Income Before Depreciation	42,851	92,483
Depreciation	(125,818)	(124,334)
Operating Income (Loss)	(82,967)	(31,851)
<u>NON-OPERATING REVENUE (EXPENSE)</u>		
Interest Income	17,739	23,850
Sale of Supplies	1,093	295
Operating Grants	0	800
Other Income	1,192	2,058
TOTAL NON-OPERATING REVENUE (EXPENSE)	20,024	27,003
Income (Loss) Before Capital Contributions	\$ (62,943)	\$ (4,848)
Capital Grants and Donations - Davis Bridge Park	22,500	42,500
Change in Net Assets	\$ (40,443)	\$ 37,652
<u>NET ASSETS</u> - Beginning of Year	1,642,016	1,604,364
<u>NET ASSETS</u> - End of Year	\$ 1,601,573	\$ 1,642,016

The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION

(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	2008	2007
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 949,511	\$ 937,300
Cash Payments to Suppliers for Goods and Services	(321,135)	(228,513)
Cash Payments to Employees for Services	(628,907)	(554,919)
Net Cash Provided (Used) for Operating Activities	(531)	153,868
Cash Flows from Capital and Related Financing Activities:		
Acquisitions and Construction of Capital Assets	(63,025)	(117,182)
Proceeds from sale of assets	0	1,460
Other Revenue Received	2,285	2,353
Net Cash Provided (Used) for Capital and Related Financing Activities	(60,740)	(113,369)
Cash Flows from Investing Activities		
Interest on Investments	17,739	23,850
Proceeds from State Grants and Donations	22,500	29,800
Sale (Purchase) of Investments	30,713	(99,149)
Net Cash Provided (Used) by Investing Activities	70,952	(45,499)
Net Increase (Decrease) in Cash and Cash Equivalents	9,681	(5,000)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	3,205	8,205
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 12,886	\$ 3,205

The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION

(A Component Unit of Mecosta County)

COMPARATIVE STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31,

	<u>2008</u>	<u>2007</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ (82,967)</u>	<u>\$ (31,851)</u>
Adjustments to reconcile Operating Income		
To Net Cash Provided by Operating Activities		
Depreciation	\$ 125,818	124,334
Gain on Sale of Assets	0	(268)
(Increase) Decrease in Current Assets		
Accounts Receivable	2,098	(1,398)
Prepaid Expense	(1,969)	1,433
Increase (Decrease) in Current Liabilities		
Accounts Payable	(36,767)	19,563
Due to Other Governments	(814)	25,430
Deferred Revenue	2,887	24,481
Accrued Payroll	1,741	10
Accrued Vacation and Sick Pay	(10,558)	(7,866)
Total Adjustments	<u>\$ 82,436</u>	<u>185,719</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (531)</u>	<u>\$ 153,868</u>

The accompanying notes are an integral part of these financial statements.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Mecosta County Park Commission is a Component Unit of Mecosta County, Michigan, according to the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. The Commission is governed by a ten member board, appointed by the Mecosta County Commission.

The financial statements of Mecosta County Park Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Mecosta County Park Commission have been presented in accordance with generally accepted principles of accounting as applicable to Enterprise Funds. Enterprise Funds are a type of proprietary fund. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Park Commission applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**C. Assets, Liabilities and Equity**

**1. Inventory and Prepaid Items**

The Park Commission does not maintain any inventory. Supply inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**2. Fixed Assets and Depreciation**

Fixed assets are stated at cost. Contributed property is stated at fair market value at the date of receipt. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

Depreciation of all exhaustible fixed assets used by Enterprise Funds is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and Land Improvements	10-40 years
Machinery and Equipment	5-10 years

3. Compensated Absences

Using the criteria established in Governmental Accounting Standards Board (GASB) Statement 16, a liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place. Criteria for recognition of these two basic types of compensated absences are as follows:

- (a) Vacation and Similar Leave Absences - should be accrued as a liability as the benefits are earned by the employees if both of these conditions are met:
  - (i) The employees' rights to receive compensation are attributable to services already rendered.
  - (ii) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.
- (b) Sick and Similar Leave Absences - should be accrued using one of the following termination approaches:
  - (i) Under the Termination Payment Method, a liability should be accrued as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement.
  - (ii) Under the Vesting Method, a liability should be based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payment, as well as other employees who are expected to become eligible in the future to receive such payments.

Sick pay is accrued under the Termination Payment Method. It is the Park Commission's policy to permit employees to accumulate earned but unused sick and vacation pay. Amounts estimated to be payable within one year are shown as current liabilities and remaining amounts are classified as non-current liabilities.

At December 31, 2008 and 2007, the vacation and sick benefits accrued were \$13,622 and \$24,180 respectively.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

4. Deferred Revenue

Deferred Revenue is the amount of revenue received in the current year for future camping permits, picnic deposits, and family group camp. The amount is recorded as a liability on the statement of net assets. It will be recognized as revenue when it is earned.

II. DETAILED NOTES ON FUND

**A. Deposits and Investments**

*Investment rate risk.* The Park Commission will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Park Commission's cash requirement.

*Foreign currency risk.* The Park Commission is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Park Commission will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Park Commission's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Park Commission will do business in accordance with the Park Commission's investment policy.

*Concentration of credit risk.* The Park Commission will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Park Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2008, the carrying amount of the Park Commission's deposits was \$12,786 and the bank balance was \$12,786 of which \$12,786 was covered by federal depository insurance and \$0 was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end the Park Commission held no investments.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

At year-end, the Park Commission's carrying amount of cash and investments was as follows:

	2008	2007
Petty Cash	\$ 100	\$ 100
Deposits with Financial Institutions		
Payroll Checking Account	\$ 7,118	\$ 1,549
Receiving Checking Accounts	200	200
Operations and Maintenance Account	5,468	1,356
Subtotal - Deposits with Financial Institutions	\$ 12,786	\$ 3,105
Deposits with County Treasurer	\$ 525,977	\$ 556,690
Total Carrying Amount	\$ 538,863	\$ 559,895

The Commission has \$525,977 of deposits with Mecosta County at December 31, 2008. The funds are held at various financial institutions and are invested in certificate of deposits. Interest is earned at varying rates depending on date of purchase and length of issue. Interest earned is based on the Park Commission's proportionate share of the total invested in the program. These deposits are not covered by federal depository insurance.

**B. Property, Plant, and Equipment**

A summary of the Property, Plant, and Equipment at December 31, 2008 follows. Depreciation has been provided over the estimated useful lives using the straight line method.

	December 31, 2007	Additions	Deletions	December 31, 2008
Land Improvements	\$ 1,134,825	\$ 80,677	\$ 0	\$ 1,215,502
Buildings and Improvements	1,058,004	8,401	0	1,066,405
Machinery and Equipment	495,758	37,615	3,749	529,624
Construction in Progress	63,668	0	63,668	0
	2,752,255	126,693	67,417	2,811,531
Less Accumulated Depreciation for:				
Improvements	780,092	35,606	0	815,698
Buildings and Improvements	395,782	46,243	0	442,025
Machinery and Equipment	365,739	43,969	3,749	405,959
Total Accumulated Depreciation	1,541,613	125,818	3,749	1,663,682
Net Property				
Plant and Equipment	\$ 1,210,642	\$ 875	\$ 63,668	\$ 1,147,849



MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

	PURCHASED WITH COMMISSION FUNDS	ACQUIRED WITH GRANT FUNDS	TOTAL
Land Improvements	\$ 959,729	\$ 255,773	\$ 1,215,502
Building and Improvements	976,405	90,000	1,066,405
Machinery and Equipment	529,624	0	529,624
Construction in Progress	0	0	0
Total Cost	\$ 2,465,758	\$ 345,773	\$ 2,811,531
Less			
Accumulated Depreciation	(1,494,559)	(169,123)	(1,663,682)
Net Property, Plant and Equipment	\$ 971,199	\$ 176,650	\$ 1,147,849

Depreciation expense recognized by the Commission totaled \$125,818 and \$124,334 for the years ended December 31, 2008 and 2007, respectively.

**C. Commitments**

**1. Operating Leases**

Mecosta County Park Commission leases the land for Brower Park. The Park Commission entered into a lease with Consumers Energy Company dated October 16, 1999 that extends from May 1, 1999 until May 1, 2024. Rent is paid annually and is to be based on an allocation of the annual expenses the Lessor expects to incur in administering the various leases, licenses, and license agreements that Lessor expects to have in place for its FERC - regulated hydro project lands. The rental amount currently is set at \$2,400 per year and shall be revised every fifth year during the term of the lease, based on projected data for the year of the revision.

The following is a schedule of the future minimum lease payments required under the operating lease which has initial or remaining noncancelable lease terms in excess of one year as of December 31, 2008. The amount for the year ended December 31, 2009 and after is subject to changes based on the agreement discussed above.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

<u>YEAR ENDED DECEMBER 31,</u>	<u>AMOUNT</u>
2009	\$ 2,400
2010	2,400
2011	2,400
2012	2,400
2013	2,400
2014-2018	12,000
2019-2023	12,000
2024	2,400
	<u>\$ 38,400</u>

2. Capital Improvement - Brower Park

According to the lease agreement with Consumers Energy Company for the land used for Brower Park, the Park Commission is required to contribute \$20,000 each year into a capital account. The cap on the amount contributed to the capital account is \$100,000. On each 5-year anniversary date of the lease, the annual capital account contribution shall be adjusted to reflect the change in the consumer price index.

Capital improvement expenditures at Brower Park reduce the balance in the capital account. As of December 31, 2008, the capital improvement expenditures have exceeded the required annual contributions to the capital account. Therefore, the balance in the capital account is negative so there is no bank account holding the balance. The following is a schedule of the activity in the capital account.

<u>YEAR ENDED DECEMBER 31,</u>	<u>ANNUAL</u>	<u>BROWER</u>	<u>CAPITAL</u>
	<u>CONTRIBUTION</u>	<u>PARK</u>	<u>ACCOUNT</u>
		<u>CAPITAL</u>	<u>BALANCE</u>
		<u>IMPROVEMENTS</u>	
1997	\$ 20,000	\$ (25,718)	\$ (5,718)
1998	20,000	(190,419)	(176,137)
1999	20,000	(11,311)	(167,448)
2000	20,000	(129,654)	(277,102)
2001	20,000	(90,300)	(347,402)
2002	20,000	(29,368)	(356,770)
2003	20,000	(19,397)	(356,167)
2004	20,000	(31,050)	(367,217)
2005	20,000	(267,173)	(614,390)
2006	20,000	(57,086)	(651,476)
2007	20,000	(1,380)	(632,856)
2008	20,000	(9,964)	(622,820)
	<u>\$ 240,000</u>	<u>\$ (862,820)</u>	

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

3. Retirement Commitments

*Plan Description.* Two former employees of the Park Commission are members of the **Municipal Employees Retirement System of Michigan** (MERS) which provides retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer pension plan administered by the State of Michigan. Act No. 427 of the Public Acts of 1984, as amended, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. In this case, the authority rests with the League. The MERS issues a publicly available financial report that includes statements and required supplementary information for MERS. That report may be obtained by writing to The Retirement Board, Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917.

*Funding Policy.* MERS members are not required to make any contributions to the plan. The League is required to contribute at an actuarially determined rate; the current rate is 4.03% of annual covered payroll. The contribution requirements of plan members and the League are established and may be amended by the MERS board of trustees.

*Annual Pension Cost.* For 2008, the Park Commission's annual pension cost of \$13,128 was equal to the Park Commission's actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2006	\$ 12,240	100.0%	\$ 0
12/31/2007	13,164	100.0%	0
12/31/2008	13,128	100.0%	0

*Actuarial Methods and Assumptions.* The required contribution was most recently determined as part of the December 31, 2007 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions include (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.5% per year. Both (a) and (b) include an inflation component. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Positive unfunded accrued liability (if any) is amortized as a level percentage of payroll over a closed period of 28 years, while negative unfunded liability (if any) is amortized as a level percentage of payroll over a closed period of 10 years.

*Funded Status and Funding Progress.* As of December 31, 2007, the most recent actuarial valuation date, the plan was 118 percent funded. The actuarial accrued liability for benefits was \$898,275, and the actuarial value of assets was \$840,641, resulting in an unfunded actuarial accrued liability (UAAL) of \$57,634. The covered payroll (annual payroll of active employees covered by the plan) was \$80,610, and the ratio of the UAAL to the covered payroll was 71 percent.

MECOSTA COUNTY PARK COMMISSION  
(A Component Unit of Mecosta County)

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Beginning in 2004 most employees are no longer participants in the MERS program. They are now participants in a 401(a) defined contribution pension plan through ICMA Retirement Corporation. For the year ending December 31, 2008 and 2007, the Park Commission has contributed 9% of covered payroll which amounted to \$13,386 and \$10,925, respectively.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Risk Management**

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Commission is covered under Mecosta County's insurance policy to cover these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission.

MECOSTA COUNTY PARKS COMMISSION

(A Component Unit of Mecosta County)

SUPPLEMENTAL FINANCIAL DATA

SCHEDULE OF FUNDING PROGRESS

**Municipal Employees Retirement System of Michigan**

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2005	12/31/2006	\$ 733,966	\$ 823,102	89,136	89%	\$ 76,584	116%
12/31/2006	12/31/2007	784,848	866,614	81,766	91%	78,710	104%
12/31/2007	12/31/2008	840,641	898,275	57,634	94%	80,610	71%

MECOSTA COUNTY PARK COMMISSION

(A Component Unit of Mecosta County)

SUPPLEMENTAL FINANCIAL DATA

COMBINING SCHEDULE OF REVENUE AND EXPENSES

YEAR ENDED DECEMBER 31, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2007

	BROWER PARK	SCHOOL SECTION PARK	MERRILL PARK	PARIS PARK	TUBBS PARK	HAYMARSH CAMPGROUND	DAVIS BRIDGE PARK	ADMINISTRATION	TOTALS (MEMORANDUM ONLY)	
									2008	2007
<u>OPERATING REVENUE</u>										
Charges for Services										
Camping	\$ 381,691	\$ 156,233	\$ 82,353	\$ 43,195	\$ 22,490	\$ 5,865	\$ 0	\$ 0	\$ 691,827	\$ 680,240
Boat Ramp Permits										
Daily Permits	6,600	0	0	1,009	0	0	1,047	0	8,656	8,967
Seasonal Permits	19,040	0	0	0	0	0	0	0	19,040	13,600
Admissions										
Daily Permits	19,925	19,965	3,215	1,525	0	0	1,277	0	45,907	50,565
3-Day Permits	6,384	4,578	2,058	3,276	0	0	0	0	16,296	18,368
Seasonal Permits	52,140	32,460	11,780	4,980	0	0	0	0	101,360	104,220
Youth Camp	0	14,559	0	0	0	0	0	0	14,559	13,586
Cash Over (Short)	34	18	0	0	0	0	0	0	52	178
Concession Revenue	19,270	9,821	5,044	4,830	0	0	0	0	38,965	40,045
Hatchery Lease	0	0	0	0	0	0	0	0	0	0
Paris Ponds	0	0	0	2,484	0	0	0	0	2,484	3,108
Picnic Reservations	0	2,995	200	625	0	0	0	0	3,820	4,225
Rental Income	60	0	0	0	0	0	0	1,500	1,560	1,596
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 505,144</b>	<b>\$ 240,629</b>	<b>\$ 104,650</b>	<b>\$ 61,924</b>	<b>\$ 22,490</b>	<b>\$ 5,865</b>	<b>\$ 2,324</b>	<b>\$ 1,500</b>	<b>\$ 944,526</b>	<b>\$ 938,698</b>
<u>OPERATING EXPENSES</u>										
Personnel Services										
Salaries and Wages	\$ 118,312	\$ 74,898	\$ 57,367	\$ 38,959	\$ 102	\$ 93	\$ 4,421	\$ 170,593	\$ 464,745	\$ 449,679
Fringe Benefits and Payroll Tax	33,863	22,162	16,510	10,221	10	9	420	63,234	146,429	117,834
Employee Education and Other Employee Expenses	4,015	1,544	1,506	504	0	0	0	1,347	8,916	8,762
Supplies										
Office Supplies	4,390	488	186	42	213	213	272	3,905	9,709	8,542
Supplies	20,838	4,827	4,388	2,766	253	133	0	8,063	41,268	35,581
Concession Purchases	3,578	1,747	628	3,364	0	0	0	0	9,317	8,819
Small Tools	0	0	0	0	0	0	0	231	231	1,130
Radio Equipment	33	0	0	0	0	0	0	0	33	339
Other Services and Charges										
Freight and Postage	169	19	8	2	0	0	0	841	1,039	1,200
Licenses	454	454	244	163	108	81	0	225	1,729	2,190
Maintenance and Repairs	11,695	13,443	4,638	2,306	1,627	350	20	6,781	40,860	46,354
Waste Disposal	3,840	3,177	1,683	990	627	400	690	549	11,956	8,392
Outside Services	7,316	1,514	985	2,101	231	184	184	765	13,280	12,679
Telephone	1,555	1,228	682	597	157	293	0	4,431	8,943	6,843
Mileage	0	30	0	0	0	0	0	3,268	3,298	3,044
Travel and Conferences	0	0	0	0	0	0	0	324	324	352
Advertising	3,373	397	159	40	0	0	0	1,075	5,044	7,427

MECOSTA COUNTY PARK COMMISSION

(A Component Unit of Mecosta County)

SUPPLEMENTAL FINANCIAL DATA

COMBINING SCHEDULE OF REVENUE AND EXPENSES

YEAR ENDED DECEMBER 31, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2007

	BROWER PARK	SCHOOL SECTION PARK	MERRILL PARK	PARIS PARK	TUBBS PARK	HAYMARSH CAMPGROUND	DAVIS BRIDGE PARK	ADMINISTRATION	TOTALS (MEMORANDUM ONLY)	
									2008	2007
Programs and Events	696	555	12	0	0	0	0	0	1,263	382
Insurance	16,104	1,895	758	189	0	0	0	0	18,946	22,611
Utilities	33,507	20,922	14,173	7,035	0	0	315	6,559	82,511	83,568
Contracted Maintenance	1,709	2,625	1,688	933	1,195	540	0	6,614	15,304	11,436
Equipment Rental	79	139	79	0	0	0	0	0	297	77
Miscellaneous	257	480	3	1	0	0	0	1,122	1,863	778
Refunds	1,030	1,958	166	925	0	0	0	0	4,079	2,789
Bad Debt Expense	0	0	0	0	0	0	0	2,158	2,158	420
Permits and Easements	4,000	1,500	1,500	200	0	0	933	0	8,133	4,987
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 270,813</b>	<b>\$ 156,002</b>	<b>\$ 107,363</b>	<b>\$ 71,338</b>	<b>\$ 4,523</b>	<b>\$ 2,296</b>	<b>\$ 7,255</b>	<b>\$ 282,085</b>	<b>\$ 901,675</b>	<b>\$ 846,215</b>
<b>Operating Income (Loss)</b>										
Before Depreciation	\$ 234,331	\$ 84,627	\$ (2,713)	\$ (9,414)	\$ 17,967	\$ 3,569	\$ (4,931)	\$ (280,585)	\$ 42,851	\$ 92,483
Depreciation	(50,217)	(18,536)	(12,386)	(14,173)	(511)	(228)	(3,124)	(26,643)	(125,818)	(124,334)
<b>Operating Income (Loss)</b>	<b>\$ 184,114</b>	<b>\$ 66,091</b>	<b>\$ (15,099)</b>	<b>\$ (23,587)</b>	<b>\$ 17,456</b>	<b>\$ 3,341</b>	<b>\$ (8,055)</b>	<b>\$ (307,228)</b>	<b>\$ (82,967)</b>	<b>\$ (31,851)</b>
<b><u>NON-OPERATING REVENUE (EXPENSE)</u></b>										
Interest Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,739	\$ 17,739	\$ 23,850
Sale of Supplies	0	0	0	0	0	0	0	1,093	1,093	295
Operating Grants	0	0	0	0	0	0	0	0	0	800
Other Income (Expense)	130	310	320	250	0	0	0	182	1,192	2,058
<b>Total Non-Operating Revenue (Expense)</b>	<b>\$ 130</b>	<b>\$ 310</b>	<b>\$ 320</b>	<b>\$ 250</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,014</b>	<b>\$ 20,024</b>	<b>\$ 27,003</b>
<b>Net Income (Loss) Before Administration/ Overhead Allocations</b>	<b>\$ 184,244</b>	<b>\$ 66,401</b>	<b>\$ (14,779)</b>	<b>\$ (23,337)</b>	<b>\$ 17,456</b>	<b>\$ 3,341</b>	<b>\$ (8,055)</b>	<b>\$ (288,214)</b>	<b>\$ (62,943)</b>	<b>\$ (4,848)</b>
<b>Allocated Revenue (Expense)</b>										
Administration Revenue Allocation	\$ 17,436	\$ 2,051	\$ 821	\$ 205	\$ 0	\$ 0	\$ 0	\$ (20,513)	\$ 0	\$ 0
Overhead Expense Allocation	(265,307)	(31,213)	(12,485)	(3,121)	0	0	0	312,126	0	0
<b>Total Allocated Revenue (Expense)</b>	<b>\$ (247,871)</b>	<b>\$ (29,162)</b>	<b>\$ (11,664)</b>	<b>\$ (2,916)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 291,613</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>\$ (63,627)</b>	<b>\$ 37,239</b>	<b>\$ (26,443)</b>	<b>\$ (26,253)</b>	<b>\$ 17,456</b>	<b>\$ 3,341</b>	<b>\$ (8,055)</b>	<b>\$ 3,399</b>	<b>\$ (62,943)</b>	<b>\$ (4,848)</b>

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

February 4, 2009

To the Members of the Board  
Mecosta County Park Commission  
Mecosta County, Michigan

In planning and performing our audit of the financial statements of the business type activities of the Mecosta County Park Commission, Mecosta County, Michigan as of and for the year ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Mecosta County Park Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Park Commission make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.



2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above constitute material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

February 4, 2009

To the Members of the Board  
Mecosta County Park Commission  
Mecosta County, Michigan

We have audited the financial statements of the business type activities of Mecosta County Park Commission for the year ended December 31, 2008, and have issued our report thereon dated February 4, 2009. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 9, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Mecosta County Park Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mecosta County Park Commission are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of

authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We did propose several adjusting journal entries that were accepted and recorded by management.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 4, 2009.

*Other Audit Findings or Issues*

During the course of our audit of the basic financial statements of Mecosta County Park Commission for the year ended December 31, 2008, we noted no items which we feel deserve comment that were not previously communicated to the Park Commission, either verbally or through other written communication.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*